

ENVIRONMENTAL CHALLENGES FACED BY SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN NYERI COUNTY, KENYA

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Abstract

Environmental challenges faced by Saccos in Nyeri County and in Kenya as a whole have become a phenomenal issue for the survival of the Saccos. This study has therefore been designed to establish the environmental changes occurring in this sector. The operating environment keeps changing continuously. These Saccos have to respond to the changes in the environment accordingly in order to guarantee their continuous existence. This survey was meant to establish the environmental changes faced by the Saccos in the Nyeri County, Kenya. The population of interest in this study was all the 53 active Saccos in Nyeri County at the end of the year 2009. The stratified sampling method was used since the population is further divided into strata based on the types of Saccos which differ depending on the type of members and the Saccos activities. Responses were sought from Managers or executive committee members who have been in the firms for at least three years since these are the ones who are involved in the crafting and implementation of response strategies in their respective organizations. The major challenges that have greatly affected the growth of this sector include; employment laws, political instability, high interest rates, low economic growth rates, high population growth rate, poor age distribution, strong emphasis on safety, increase in automation and high rate of technological change. The study also established the major competitors to the Saccos in Nyeri County which include banks and the mobile money transfer services.

Keywords: Environmental Challenges, Saccos, Economic Growth, Demography, Technology, Monetary Policies

INTRODUCTION

Strategy is about winning (Grant, 1998). While there is no dispute regarding the importance of strategy in business management, there does not appear to be any agreement as to what exactly is strategy or how exactly the 'winning' is achieved. Burnes (2004) argues that rather than managers being prisoners of mathematical models and rational approaches to strategy development, they have considerable freedom of action and a wide range of options to choose from. He goes further to argue that managers can exert some influence over strategic constraints and, potentially at least, they can select the approach to strategy that best suits their preferences.

The Savings and Credit Cooperative Societies (Saccos) in the Nyeri County, like any other organization, do not exist in a vacuum. Their operating environment keeps changing continuously. These Saccos have to respond to the changes in the environment accordingly in order to guarantee their continuous existence. Morgan (1988) equates business management to surfing in a turbulent sea and asserts that managers of the future will have to ride this turbulence with increasing skill, and many more competences will be required (Morgan, 1988).

Environment and the Organization

Organizations are environment dependent and environment serving and they are in a constant two-way interaction with the environment. They receive inputs from the environment, transform or add value to them, and return the outputs in form of goods and services back to the environment. They therefore affect and are affected by what happens in the external environment, which is beyond the organization's control. The organization is also affected by changes occurring in the internal environment. Environmental change creates pressure for change in the organization and this means that they have to respond to relevant external change to ensure that they survive (Ansoff & McDonnell, 1990).

Environmental Changes

A host of external factors influence a firm's choice of direction and action and ultimately, its organizational structure and internal processes. These factors can be divided into three interrelated subcategories; Factors in the remote environment, factors in the industry environment, and factors in the operating environment (Pearce & Robinson, 2003).

The remote environment comprises factors that originate beyond and usually irrespective of any single firm's operating situation and include economic, political, social and technological. The remote environment presents firms with opportunities, threats and constraints but rarely does a single firm exert any meaningful reciprocal influence (Pearce &

Robinson, 2003). Porter (1985) presented five forces that affect an industry environment also called the operating environment. These are rivalry among competing firms, bargaining power of suppliers, bargaining power of customers, threat of new entrants and threat of substitute products.

The Kenyan business environment has been undergoing drastic changes for some time now. Some of the changes include the accelerated implementation of economic reforms, the globalization and liberalization of the economy, discontinuation of price controls, privatization and commercialization of the public sector and increased competition. In this changing environment, organizations have to constantly adapt their activities and internal configurations to reflect the new external realities. Failure to do this may put the future success of the organization in jeopardy (Aosa, 1998).

SACCOs in Kenya

The International Cooperatives Alliance (ICA) defines cooperatives as autonomous associations of persons coming together as jointly owned enterprise for economic, social and cultural purposes. Cooperatives are organized groups of people that are democratically controlled to serve their members and produce benefits for them (as cited by Wanyama, (2009).

According to the Ministry of Cooperative Development and Marketing, Cooperatives in Kenya transcend all sectors of the economy. The concentration can be broadly clustered in to three categories of agriculture, finance and others. According to the Ministry of Cooperative Development and Marketing strategic plan 2009 – 2013, Agricultural cooperatives account for about 37% of the total registered cooperatives. In recent years, agricultural marketing cooperatives have realised modest growth in numbers, from 4349 in 2000 to 4,471 in 2008. The focus has mainly been in coffee, dairy, pyrethrum, cotton and handicraft marketing (Wanyama, 2009).

In the financial sector, the Savings and Credit Cooperatives (SACCOs) account for over 45% of the total registered Cooperatives, having grown from 3,627 in 2000 to 5,350 in 2008. Saccos specialise in mobilizing savings and on lending the same to the members. Over the same period, Saccos have been the fastest growing cooperatives. The other 18% of the registered cooperatives cover housing, transport and other services.

Table 1 illustrates the relative growth in the number of cooperatives in Kenya over the years from 2003 to 2008.

Table 1: Number of Cooperatives by Type 2003/08

Type of Cooperative	2003	2004	2005	2006	2007	2008
Agriculture	4,166	4,215	4,304	4,353	4,414	4,477
Savings & credit	4,200	4,474	4,678	4,876	5,122	5,350
Other non- agricultural	1,838	1,857	1,885	1,941	2,000	2,041
Cooperative Unions	93	96	99	99	99	100
TOTAL	10,297	10,642	10,966	11,269	11,635	11,968

Source: Ministry of Cooperative Development and Marketing, 2008: 19; Kenya National Bureau of Statistics, 2009: 165. (As cited by Wanyama, 2009)

According to the Ministry of Cooperative Development and Marketing 2009 – 2013 Strategic Plan, Sacco societies were first registered in Kenya as thrift licensees in 1964 with the objective of mobilizing savings from their members. However it was not until 1969 that the Government encouraged the registration of Saccos to mobilize savings and give credit to employed people who had a similar common bond. Earlier some Saccos had dismally failed due to loan delinquencies and insecurity of their savings. The government enacted the Co-operative Societies Act 1966 and the Rules in 1966 to better manage co-operatives. Registration of Urban Saccos started in 1973 with many Government Ministries and departments registering Saccos in accordance with their common bond. There were over 1,000 registered Saccos in the country offering back office and credit facilities by 1975. All Saccos operate Back Office Service Activities and have been able to mobilize over Kshs 180 billion and granted loans to the tune of Kshs 120 billion. The savings mobilized represent 31% of the national savings. 200 Saccos have ventured into Front Office Service Activities (FOSA). The FOSA offer bank-like services, like withdraw able savings, deposits, debit cards, advances, money transfers etc. The FOSA activity came about after banks withdrew from many rural areas and the people were left un-banked. Saccos offering FOSA services are spread all over the country and include both Rural and Urban Saccos. Saccos have grown tremendously and currently have 3.7 million members. The Saccos with FOSAs have diversified into specialized bank like activities which include deposit taking, saving facilities, debit card business (ATM) and money transfers both local and international.

According to the Central Province Ministry of Cooperative Marketing and Development Annual report for year 2009, the cooperatives are governed under the Cooperative Societies Act Chapter 490 revised 2005. Saccos are governed under the Saccos Societies Act, 2008. The Sacco Societies Regulatory Authority regulates their operations to improve corporate governance. The Government through the Ministry of Cooperative Development and Marketing has established a Governance and Ethics department whose role is to ensure good corporate

governance principles to improve accountability and transparency in cooperatives business. The management committees are also supposed to implement the Procurement and Disposal Act requirements in their transactions to enhance transparency.

Saccos operate on the following principles and objectives. Voluntary coming together of people with a common goal and vision to achieve an economic objective; Economic empowerment of members through pooling of members savings and availing affordable credit facilities and other related financial services to members and Member ownership and participation in the running of their Sacco. The co-operative values and principles have withstood the test of time and are resilient against any form of economic ideology (Wanyama, 2009).

The commendable growth in the sector has however not been without challenges. The challenges include but not limited to inadequate capitalization, poor governance, non-remittances, loan delinquency, lack of standardized information technology, limited financial products, excess loan demands, negative impact of HIV/AIDS on membership, non-competitive models as well as inadequate regulations and supervision. KUSCCO as an umbrella organization has kept abreast of the changing financial environment and has strategically positioned itself through innovativeness with a view to remaining relevant and competitive in the dynamic financial sector (MOCMD 2009 – 2013 Strategic Plan).

SACCOs in Nyeri County

Nyeri County is one of the 47 Counties in Kenya created after the promulgation of the New Constitution in August 2010. It covers the area which was initially covered by the larger Nyeri District before being subdivided into Nyeri South and Nyeri North Districts. According to the Central Provincial Ministry of Cooperative Development and Marketing annual report for year 2009, there were 172 Cooperative Societies in Nyeri County at the end of the year 2009. Among these, 84 cooperatives were dormant. These were distributed as per the table below.

Table 2: Distribution of Cooperative Societies in Nyeri County at the end of the year 2009

District	Number of Cooperative Societies				Membership			
	Active 2008	Active 2009	Dormant 2009	Total 2009	Total 2008	Male 2009	Female 2009	Total 2009
Nyeri North	71	40	32	72	92,399	64,981	27,783	92,764
Nyeri South	93	48	52	100	258,779	135,730	65,507	201,237
TOTAL	164	88	84	172	351,178	200,711	93,290	294,001

Source: Central Province Ministry of Cooperative Development and Marketing Annual Report for year 2009, Page 36.

Out of the active 88 Cooperative Societies 53 are saccoes divided into 10 transport saccoes, 6 rural saccoes, 7 traders saccoes and 30 staff saccoes. The rural saccoes in this county are engaged in coffee processing and marketing and dairy farming. Another source of income for the sacco members is tea which is grown in the better part of the County.

Statement of the Research Problem

According to Hax and Majluf (1996), it is important for managers to appreciate where the greatest opportunities and threats lie at any time and focus attention on those areas which are currently affecting the organization and which require strategic attention. To succeed long term, organizations must compete effectively and out-perform their rivals in a dynamic environment. To accomplish this they must find suitable ways for creating and adding value for their customers. Hill and Jones (2001) argue that strategic management is a highly important element of organizational success. The need to know what the business is about, what it is trying to achieve and which way it is headed, is a very basic requirement determining the effectiveness of every member's contribution. Every successful organization has this business self-awareness and every successful business seems to have this clarity of vision, even though it does not arise from a formal planning process (Pearce & Robinson, 1994).

The business environment within which the SACCOs operate has been very volatile. The political anxieties, competition from new entrants, commercial banks, Micro Finance institutions, money transfer services such as mpesa and other informal financial institutions, social reforms, technological advancement and globalization are some of the challenges that have greatly affected the growth of this sector. Saccos face a big challenge from the government who has put a number of regulations and requirements in order to put a check on the management of the sector. The introduction of agency Banking after the Central Bank of Kenya unveiled the rules governing its operation in May, 2010 is also a major challenge. These challenges cannot be ignored because the industry plays a significant role in the Kenyan economy. The changes pose serious strategic threat to existing firms and a good number of these organizations are not able to survive the new turn of events i.e those, which are still surviving have had to adopt urgent measures in response to these changes.

The Saccos in Nyeri County draw the majority of their membership from the farmers who mainly rely on production of cash crops such as coffee and tea. Farming also influences the economic status of the County in a big way as it influences the kind of business activities carried out. Production of these crops has been faced by many challenges such as the unstable prices and unfavourable weather conditions. The County has also seen branches of banks, microfinance institutions and other Financial institutions being opened.

Studies have been carried out on environmental changes and response strategies in a number of industries. Mpungu (2003) recommends that companies scan their immediate environment for survival purposes in a study on the strategic responses to changing environmental conditions at AAR Health Services Ltd. Ndubi (2006) identified the major environmental challenges faced as staff turnover and heavy government regulation and the leading response strategy is marketing of services. Mwangi (2008) in her research on Saccos in Eldoret town identifies the major challenges as higher marketing abilities of competitors, limited access to funds and heavy government regulations. Rumba (2008) in his study on strategic responses by mobile phone companies in Kenya to environmental changes, identified the major challenges that have greatly affected the growth of the sector as; liberalization of mobile phone services, social reforms, political anxieties, technological advancement ,changing income levels of the consumers, inflation levels, stringent licensing regulations, price wars and unfair competition. Mwangi (2008) further observes that most of the studies focus on organizations based in Nairobi but this is a special environment and these studies cannot effectively be replicated in other regions. There is no specific study done on the environmental changes by Saccos in Nyeri County. Thus this study seeks to look at the environmental challenges facing Saccos in Nyeri County by seeking answers to the following question: What are the environmental changes faced by Saccos in Nyeri County?

Research Objectives

The objective of the study was to identify environmental changes faced by the SACCOs in Nyeri County.

Importance of the Study

The findings of this study will be of great importance to the readers, the Saccos and the Ministry of Cooperative Development and Marketing. To the readers, it will contribute to the general body of knowledge and form a basis for further research on ways of utilizing the service industry to grow economically. The Saccos will benefit with valuable information regarding the shortcomings of the industry, economic empowerment and income generation. The research will bring in current statistics that the government through the Ministry of Cooperative Development and Marketing, which has the role of promotion of cooperative ventures, can utilize in analyzing the Savings and Credit Cooperative Societies.

LITERATURE REVIEW

Concept of Strategy

There is no dispute regarding the importance of strategy in business management. The more important issue is to establish how the 'winning' is achieved. This is the essence of competitive strategy. Quinn (1992) defines strategy as the pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole. He goes further to state that a well formulated strategy helps to marshal and allocate an organization's resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment and contingent moves by intelligent opponents. Indeed, there are many approaches to strategy but none are universally accepted.

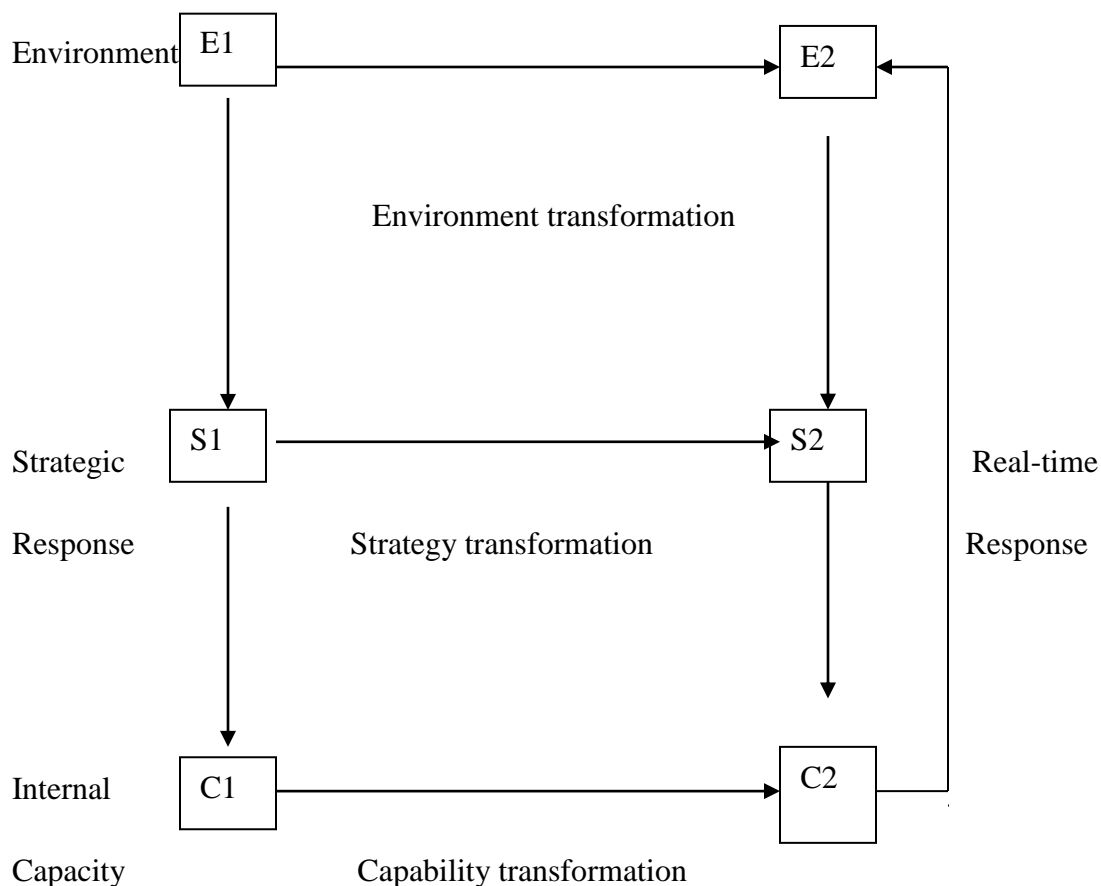
Environment and the Organization

Rivalry among existing competitors takes the familiar form of jockeying for position using tactics like price competition, product introduction and advertising. Suppliers can exert bargaining power on participants, in an industry by raising prices or reducing the quality of purchased goods and services. Powerful suppliers thereby can squeeze profitability out of an industry unable to recover cost increases in its own prices (Pearce and Robinson 2003). Powerful customers (buyers) likewise can force down prices, demand higher quality or more services and play competitors off against each other – all at the expense of industry profits.

Abdullahi, (2000) states that, the determination of a suitable strategy for a company begins in identifying the opportunities and risks in its environment. The environment of a company in business, like that of any other organic entity is the pattern of all the external conditions and influences that affects its life and development (Abdullahi, 2000). The environment influences relevant to strategic decision that operate in a company's industry, the total business community, its city, its country, and the world. They are political, economic, social and technological in kind. Change in the environment of business necessitates continuous monitoring of a company's definition of its business lest it become inappropriate or even obsolete.

The diagram below indicates the Environmental dependence of an organization. When there is an environmental shift from E1 to E2, then the organizations' strategy has to be changed from S1 to S2 in order to adapt to the changed environmental conditions. If strategy is not changed there will be a strategy gap. However, this is only possible when the organization's capability is changed from C1 to C2.

Figure 1: Managing the Firms Adaptation to the Environment

**Key**

E1	Current Environment	E2	Future Environment
S1	Current Strategy	S2	Future Strategy
C1	Current Capacity	C2	Future Internal Capacity

Source: Ansoff H.I. and McDonnell E.J. (1990), *Implanting strategic management*, second edition, Prentice Hall

The environmental turbulence is described by the difference between present and future critical success factors within a strategic business area (SBA). The strategic aggressiveness is measured by the match between the characteristics of the firm's competitive strategy and the critical success factors. The responsiveness criterion is measured by the match between the critical capability success factors and the capability profile of the firm. Responsiveness can be described by three capability attributes. These include climate, competence and capacity. Climate setting involves the mentality and power positions of the managers. This determines the organizational culture. Competence involves the talents, skills and knowledge of the

management. It will determine the organizational structures, systems and shared knowledge. Capacity involves the personal and organizational capability to accommodate the various management challenges as many arise from time to time.

Environmental Changes

According to Pearce and Robinson (2003), the factors that influence a firm's operations can be divided into three interrelated subcategories; factors in the remote environment, factors in the industry environment, and factors in the operating environment. Factors in the remote environment are political, economic, social or technological. Political factors include government regulations and legal issues and define both formal and informal rules under which the firm must operate. These include tax policy, employment laws, environmental regulations, trade restrictions and tariffs and political stability. Economic factors affect the purchasing power of potential customers and the firm's cost of capital. These include economic growth, interest rates and inflation rate. Social factors include demographic and cultural aspects of external macro environment. Some social factors are health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety. Technological factors can lower barriers to entry, reduce minimum efficient production levels and influence outsourcing decisions. Some of these are research and development activities, automation, technology incentives, rate of technological change. Porter (1985) presented five forces that affect an industry environment also called the operating environment. These are rivalry among competing firms, bargaining power of suppliers, bargaining power of customers, threat of new entrants and threat of substitute products.

RESEARCH METHODOLOGY

Research Design

This was a survey meant to establish the environmental changes faced by Saccos in Nyeri County. Ndubi (2006) agrees that this is an appropriate form of research, especially when the objective of the research is to gain insights into ideas, which is applicable in this case. A survey is also the most appropriate form of research whenever the population is big and largely homogenous. This is the case as focus is on all the Saccos in Nyeri County. This design was also successfully used by Waweru (2002).

Population of the Study

The population of interest in this study was all the middle level and senior managers from the active Saccos in Nyeri County. According to the Central Province Ministry of Cooperative

Development and Marketing annual report, there were 88 active Cooperative Societies in Nyeri County at the end of the year 2009. Out of these Cooperative Societies, 53 were Saccos and these formed the population of this study. These Saccos are divided into 10 Transport Saccos, 6 Rural Saccos, 7 Traders Saccos and 30 Staff Saccos.

Sample Size and Selection

The sample size comprised of 30 of the 53 active Saccos operating in the County. This size was chosen because it was expected to be representative of the population since the sector was further divided into strata based on the type of sacco. This allowed for an adequate number of items drawn from the smallest stratum. Since the population has four different types of Saccos differing in terms of activities, source of their members and whether they are operating in the urban or rural areas, stratified sampling technique was applied in order to obtain a representative sample. Under this sampling method, the population was divided into four strata that are individually more homogeneous than the total population. The grouping into strata was guided by the types of Saccos giving 10 Transport Saccos, 6 Rural Saccos, 7 Traders Saccos and 30 Staff Saccos. Then items from each stratum were selected to constitute a sample. The sample size of 300 was selected using the method of proportional allocation under which the sizes of the samples from the different strata were kept proportional to the sizes of the strata. The sample size was selected from 6 Saccos selected from the Transport Saccos, 3 Rural Saccos, 5 Traders Saccos and 16 staff Saccos. According to Kothari (2004), proportional allocation is considered most efficient and an optimal design when the cost of selecting an item is equal for each stratum and there is no difference in within-stratum variances. To select items from each stratum to constitute a sample, the name of each Sacco in that stratum was written down on a slip of paper, the slips of paper so prepared were put into a box and mixed thoroughly and then the required number of slips for the sample were drawn one after the other without replacement. This ensured that in successive drawings each of the remaining elements of the population had the same chance of being selected. This procedure also results in the same probability for each possible sample (Kothari, 2004).

Data Collection Method

The study used primary data, which was collected using a questionnaire containing both structured and unstructured questions. Responses were sought from Managers or executive committee members who have been in the firms for at least three years. They were the C.E.O or the General Manager, Marketing manager or the Operations Manager since these are the ones who are involved in the crafting and implementation of response strategies in their

respective organizations. The data collection method employed was the “drop and pick later” technique. This is an approach that was successively used by Rumba (2008) and Mwangi (2008). The approach helped in reducing biasing error since the respondent would not be influenced by the interviewer’s characteristics and it also gave the respondents time for considered answers.

Data Analysis Approach

Data analysis method was quantitative. The structured questionnaire was coded in respect to questions for ease of electronic data processing prior to the commencement of the fieldwork. After tabulation, the data was coded to facilitate statistical analysis. The SPSS (Statistical Package for Social Sciences) package was used to analyze the data. Descriptive statistics such as means, percentages, standard deviation and frequency distribution were used to meaningfully describe the distribution of measurements.

ANALYSIS, FINDINGS AND DISCUSSIONS

Response Rate

The highest response rate was from the rural saccos followed by traders and the group with the least response rate was the staff saccos. The table below shows the response rate for each type of saccos. 18 out of the 30 questionnaires distributed were completed and returned representing a response rate of 60%.

Table 3: Response rate per type of Saccos

Type of Sacco	No. targeted	No. of questionnaires Returned	Response Rate(Percentage)
Rural	3	3	100
Traders	5	4	80
Transport	6	4	66.7
Staff	16	7	43.8
Total	30	18	60

Background Information of the Saccos/Respondents

Period with Organization

The researcher wanted to establish the duration the respondents have worked with their organizations. It was established that most of them i.e. 61.1% had worked for over 5 years. The researcher targeted respondents who have had more than five years of service in the Saccos targeted. These findings show that this objective was met as the ones who have worked for less

than five years were in the Saccos which were established less than five years ago. Therefore they were still among the long serving officers in the Saccos. Table 4 shows the various durations for which the respondents have worked with their organizations.

Table 4: Employee's duration with the various organizations

	Frequency	Percentage	Cumulative percentage
Below 3 yrs	6	33.3	33.3
3-5 yrs	1	5.6	38.9
5-7 yrs	3	16.7	55.6
Over 7 yrs	8	44.4	100.0
Total	18	100.0	

Year of Establishment

The researcher observed that 35.3% of the Saccos are less than ten years old. We also have 23.5% of the Saccos which are over 30 years old. This shows a steady growth of the Sacco sector in the County and also stability of the old ones which have been able to survive through more than 30 years.

Table 5: Age distribution of the Saccos in Nyeri County

Age	No. of Saccos	Percentage	Cumulative percentage
10 years and below	6	35.3	35.3
11 to 20 years	4	23.5	58.8
21 to 30 years	3	17.6	76.5
31 - 40 years	4	23.5	100.0

Type of Membership or Ownership

Saccos are owned by members. The table below shows the ownership of Saccos in Nyeri County. The type of members determines the type of Sacco; rural Saccos are owned by farmers, traders Saccos are owned by traders, business men and investors; transport Saccos are owned by matatu owners and staff Saccos are owned by staff or employees. The distribution of Saccos as per the research data does not represent the actual distribution as per the data obtained from the Central Province Ministry of Cooperative Development and Marketing offices. This is attributed to the differences in response rates per type of Saccos as captured on Table 6.

Table 6: Distribution of Ownership of Saccos in Nyeri County

Type of members	No. of Saccos	Percentage
Farmers	3	16.7
Traders & Investors	4	22.2
Matatu Owners	4	22.2
Staff/ Employees	7	38.9
Total	18	100

Branch Distribution

The researcher sought to analyse the branch distribution of Saccos in Nyeri County. The respondents were asked to indicate the number of branches that their Saccos have. They were also asked to indicate how many of these were within the County and the number of branches outside the County. It was observed that staff Saccos does not have branches either within Nyeri County or outside the county. This is attributed to the fact that the Staff Saccos are owned by staff members from a particular organization or sector. All Transport Saccos which responded have branches outside the County.

Table 7: Branch distribution of Saccos in Nyeri County

Type of Sacco	Saccos which responded	Saccos without Branches	%	Saccos with Branches within Nyeri County	%	Saccos with Branches Outside Nyeri County	%
Rural	3	1	33.3	2	66.7	2	66.7
Traders	4	3	75.0	1	25.0	1	25.0
Transport	4	0	0.0	3	75.0	4	100.0
Staff	7	7	100.0	0	0.0	0	0.0
Total	18	11	61.1	6	33.3	7	38.9

Loan Portfolio and Volume of Deposits

The researcher sought to find out the loan portfolio and the volume of deposits by the end of year 2009. 22.2% of the respondents did not provide the information requested for in this part of the questionnaire. 80% of the Saccos had a loan portfolio of below Ksh.50 Million while the remaining 20% had a loan portfolio of over Ksh. 100 Million. 73.4% of the Saccos had deposits amounting to Ksh.50 Million and below, 13.3% had deposits of between Ksh.50 Million and Ksh.100 Million while 13.3% had over Ksh.100 Million in deposits. This information is shown on the table below.

Table 8: Distribution of loan portfolio and volume of deposits in Saccos in Nyeri County by the end of year 2009

Amount	Percentage of Saccos with a loan portfolio in this range	Percentage of Saccos with Deposits in this range
Ksh.0 to Ksh.50M	80	73.4
Ksh.50M to Ksh.100M	0	13.3
Over Ksh.100M	20	13.3
Total	100	100

The researcher observed that upto 64.3% of the Saccos had a loan portfolio which was less than the volume of deposits held. The rest of the 35.7% of Saccos indicated a loan portfolio which was more than the volume of deposits held. It was not clear from the research data if this is practical since loans are advanced from the amount of deposits received from the members.

Table 9: The distribution of percentages of deposits loaned out by Saccos in Nyeri County

Percentage of deposits loaned out	No. of Saccos	Percentage	Cumulative Percentage
0 to 60	0	0.0	0.0
61 to 70	3	21.4	21.4
71 to 80	4	28.6	50.0
81 to 90	2	14.3	64.3
91 to 100	0	0.0	64.3
101 to 200	3	21.4	85.7
over 200	2	14.3	100.0

Services Offered

The researcher sought to find out the services offered by Saccos in Nyeri County. The respondents were asked to tick against the services offered from a list of eight options and provided with the option of adding any other services offered but not in the list. It was observed that the service which is offered by the largest number of Saccos is Savings followed by personal/consumer loans as shown on the table below.

Table 10: Services offered by Saccos in Nyeri County

Services offered	Frequency	Ranking
Savings	170	1
Personal/ consumer loans	120	2
Business loans	110	3
Training (technical and business)	60	4
Agricultural loans	50	5
Insurance services	30	6
Safe Custody	30	7
Money transfer	20	8

Major Competitors

The researcher sought to find out the major competitors of Saccos in Nyeri County. The respondents were asked to list down their five main competitors. It was established that other Sacco and banks are viewed as the main competitors. The competitors were ranked as shown on table 11 below.

Table 11: Major Competitors of Saccos in Nyeri County

Competitors	Frequency	Ranking
Other Saccos	15	1
Banks	12	2
Microfinance institutions	5	3
Merry go rounds	3	4
Shylocks	2	5
Money transfer agencies	1	6
Courier companies	1	6
NGO	1	6
Non Formal Financial Service Providers	1	6

Environmental Changes

Political Changes

The researcher sought to establish the political changes that have influenced business performance in the Sacco sector in Nyeri County for the last 5 years. The study findings indicated that political stability and employment laws were the major political changes that affected the performance of the business as shown on table 12 below.

Table 12: Ranking of Political Changes experienced by Saccos in Nyeri County for the last five years

Change	Frequency	Percentage	Rank
Political stability	9	31.0	1
Employment laws	8	27.6	2
Environmental regulations	5	17.2	3
Trade restrictions and tariffs	5	17.2	4
Tax policy	2	6.9	5
Total	29	100.0	

Economic Changes

The researcher sought to find out the economic changes that have influenced business performance in the Sacco sector in Nyeri County for the last 5 years. The study findings indicated interest rates as the major economic factor that influences business performance in the Sacco sector followed by the economic growth. Table 13 below shows how the economic changes were ranked.

Table 13: Ranking of Economic Changes experienced by Saccos in Nyeri County for the last five years

Change	Frequency	Percentage	Rank
Interest rates	13	39.4	1
Economic growth	11	33.3	2
Inflation rate	9	27.3	3
Total	33	100.0	

Social and Demographic Changes

The researcher sought to establish the social and demographic changes that have affected business performance in the Sacco sector in Nyeri County for the last 5 years. The research findings revealed the following factors as the leading factors affecting the business performance: population growth, age distribution and emphasis on safety as shown on table 14 below.

Table 14: Ranking of Social and Demographic Changes experienced by Saccos in Nyeri County for the last five years

Change	Frequency	Percentage	Rank
Population growth rate	7	33.3	1
Age distribution	6	28.6	2
Emphasis on safety	4	19.0	3
Career attitudes	3	14.3	4
Health consciousness	1	4.8	5
Total	21	100.0	

Technology Changes

The researcher sought to establish the technology changes that have influenced business performance in the Sacco sector in Nyeri County for the last 5 years. The study findings

indicated that automation and rate of technological change are the technological changes that have had the greatest impact on the performance of Saccos in Nyeri County.

Table 15: Ranking of Technology Changes experienced by Saccos in Nyeri County for the last five years.

Change	Frequency	Percentage	Rank
Rate of technological change	12	35.3	1
Automation	11	32.4	2
Technology incentives	6	17.6	3
Research and development activities	5	14.7	4
Total	34	100.0	

SUMMARY

The study revealed that the Saccos in Nyeri County face many challenges due to constantly changing environmental factors. The major challenges that have greatly affected the growth of this sector include; employment laws, political instability, high interest rates, low economic growth rates, high population growth rate, poor age distribution, strong emphasis on safety, increase in automation and high rate of technological change. The following were identified as the major competitors to the Saccos in Nyeri County: banks, microfinance institutions, merry go rounds, non formal financial institutions and money transfer service such as mpesa. The main services offered by these Saccos are: savings; offering loans such as personal loans, business loans and agricultural loans; training of the members; insurance and safe custody.

CONCLUSION

The Sacco sector is a very important part of our economy and very stable as many of them have remained in operation for over thirty years. However, it faces challenges just like any other sector. The major challenges that have greatly affected the growth of this sector in Nyeri County include; employment laws, political instability, high interest rates, low economic growth rates, high population growth rate, poor age distribution, strong emphasis on safety, increase in automation and high rate of technological change.

LIMITATIONS OF THE STUDY

This survey did not identify the challenges faced by the Saccos in dealing with environmental challenges. It did not study all the environmental factors affecting the Saccos in the County. It was also not able to establish whether the environmental challenges identified affect all types of Saccos in the County uniformly or they vary from one type of Saccos to the other.

SUGGESTIONS FOR FURTHER RESEARCH

The study focused on environmental changes faced by Saccos in Nyeri County. The researcher proposes that a study should be carried out to establish the response strategies employed and the challenges facing the Saccos in the implementation of various strategies within their organisations. This will enable the Saccos' management to address these challenges and therefore improve on their competitiveness if they have to survive through the environmental changes. He also proposes a study to find out how the environmental factors affecting Saccos in the County vary from one type of Saccos to the other.

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